

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 3520 – SB 3296

April 2, 2012

SUMMARY OF AMENDMENTS (014193, 016069): Requires property owners to obtain and provide to the Comptroller of the Treasury a copy of the certified green energy production facility certificate, effective January 1 of the year for which valuation of the facility's machinery and equipment is claimed. Directs that property owners have until July 1, 2012, to claim the valuation for tax year 2012. Requires the valuations to be implemented over a five-year period for property certified as a green energy (solar) production facility. For 2012, the maximum value of such property shall be one-half percent of installed costs; for 2013, the maximum value shall be seven percent of installed costs; for 2014, the maximum value shall be 20 percent of installed costs; for 2015, the maximum value shall be 26 percent of installed costs; and for 2016 and subsequent years, the maximum value shall be one-third of installed costs. Establishes procedures for a property owner to claim the value for tax year 2012.

FISCAL IMPACT OF ORIGINAL BILL:

Forgone Local Revenue – Exceeds \$100,000

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENTS:

Forgone Local Revenue – Exceeds \$149,200/FY12-13
Exceeds \$139,500/FY13-14
Exceeds \$120,000/FY14-15
Exceeds \$111,000/FY15-16
Exceeds \$100,000/FY16-17 and Subsequent Years

Assumptions applied to amendments:

- According to the Comptroller of the Treasury, this bill will not affect any existing property tax assessments because there is currently no facility in Tennessee that meets the definition of a "certified green energy production facility."
- According to the Comptroller, under current law, such facility's real and personal property will be fully appraised, assessed, and taxed.
- Assumes at least one entity will qualify as a certified green energy production facility.
- This bill will apply to a facility that has not yet been subject to property taxation; as a result, the fiscal impact to local governments will be forgone property tax revenue. The estimated total installed cost is \$5,000,000.

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- Local property tax revenue from tax year 2012 will be collected in FY12-13, this collection pattern will continue in subsequent years. The tax rate is assumed to be \$3.00 per \$100 of value. Under current law, tax collections will be \$150,000 $[(\$5,000,000 \text{ installed cost} / \$100) \times \$3]$.
- In FY12-13, tax will be collected on one-half percent of the installed costs resulting in revenue of \$750 $[(\$5,000,000 \text{ value} / \$100) \times \$3 \times 0.5\%]$. Therefore, the estimated forgone local revenue exceeds \$149,250 (\$150,000 current collections - \$750) in FY12-13.
- In FY13-14, tax will be collected on seven percent of the installed costs resulting in revenue of \$10,500 $[(\$5,000,000 \text{ value} / \$100) \times \$3 \times 7\%]$. Therefore, the estimated forgone local revenue exceeds \$139,500 (\$150,000 current collections - \$10,500) in FY13-14.
- In FY14 -15, tax will be collected on 20 percent of the installed costs resulting in revenue of \$30,000 $[(\$5,000,000 \text{ value} / \$100) \times \$3 \times 20\%]$. Therefore, the estimated forgone local revenue exceeds \$120,000 (\$150,000 current collections - \$30,000) in FY14-15.
- In FY15-16, tax will be collected on 26 percent of the installed costs resulting in revenue of \$39,000 $[(\$5,000,000 \text{ value} / \$100) \times \$3 \times 26\%]$. Therefore, the estimated forgone local revenue exceeds \$111,000 (\$150,000 current collections - \$39,000) in FY15-16.
- In FY16-17 and subsequent years, tax will be collected on 33 percent of the installed costs resulting in revenue of \$49,995 $[(\$5,000,000 \text{ value} / \$100) \times \$3 \times 33.33\%]$. Therefore, the estimated forgone local revenue exceeds \$100,005 (\$150,000 current collections- \$49,995) in FY16-17 and subsequent years.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Lucian D. Geise, Executive Director

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